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**IN THE UNITED STATES BANKRUPTCY COURT  
DISTRICT OF UTAH**

*In re* **WESTERN UTAH COPPER  
COMPANY,**

Debtor,

Case No. 10-29159-WTT

(Jointly Administered with Case No. 10-30002 WTT)

Chief Judge William T. Thurman

Chapter 11

**NSRC'S RESERVATION OF RIGHTS AND FURTHER  
NOTICE OF PRIOR AND SUPERIOR INTEREST IN ASSETS  
RELEVANT TO THE DEBTOR'S PROPOSED SETTLEMENTS  
WITH THE SECURED LENDERS AND COMMITTEES AND  
SETTLEMENT BUYOUT TERM SHEET WITH ALTUS**

Nevada Star Resource Corp. ("NSRC"), by and through its undersigned counsel, states as follows:<sup>1</sup>

**INTRODUCTION**

On January 18, 2011, the Debtors proposed a settlement with the Secured Creditors (the "Old Settlement") and a term sheet (the "Term Sheet") with Altus Metals, LLC ("Altus") (docket

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<sup>1</sup> Capitalized terms that are not defined herein are used as defined in the Debtors' proposed amended settlement agreement with the Secured Lenders (docket # 486).

# 486). Then, on January 28, 2011, they supplemented the Term Sheet (docket # 499). Then, on February 7, 2011, they modified the Old Settlement (docket # 530). Then, on February 18, 2011 (after a dispute with the Equity and Unsecured Creditors Committees (the “Committees”)) over the Old Settlement and the Term Sheet, the Debtors filed (i) a “Notice of Settlement with Unsecured Creditors Committee and Equity Committee. . .” (the “Notice”) (docket # 564) and (ii) a proposed order (docket # 565) purportedly reflecting the terms of the Debtors’ settlement with the Committees.<sup>2</sup> This new settlement (the “New Settlement”) adds new parties to the Old Settlement (the Committees), it *further* modifies the Old Settlement (by, *inter alia*, reinstating the automatic stay under certain circumstances), and it adds at least one new material term to the Term Sheet – the Debtors will release Altus from all prepetition claims and assign those claims to the UCC. These new issues were first raised in filings made on a Friday evening, when the following Monday was both a holiday and the deadline to object to the Old Settlement.<sup>3</sup> The New Settlement has not yet been proposed by a motion under Rule 9019(a) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), nor has it been served on parties in interest under Bankruptcy Rule 2002(a)(3).

### **RESERVATION OF RIGHTS AND NOTICE**

NSRC hereby reserves its rights in regard all the above-referenced docket entries.

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<sup>2</sup> As of the time of the filing of this Reservation of Rights, neither of the Committees, nor Altus, had endorsed the Debtor’s proposed order. It is not clear, therefore, that the New Settlement has yet been agreed to by the parties that are supposedly parties to it.

<sup>3</sup> According to the Certificate of Service attached to the Notice, the Notice was filed *via* ECF on Friday, February 18, 2011, but it was not otherwise served (even by email) on any parties in interest. There is no Certificate of Service relating to the proposed order. Given the February 21, 2011 deadline to object to the Old Settlement, and the fact that February 21, 2011 is a holiday, the Debtors gave 0 (zero) business days of legal notice for parties in interest to respond or object to the New Settlement.

Specifically with respect to the New Settlement (and, *a fortiori*, the Old Settlement),  
NSRC:

- *Reserves its argument that the settlement cannot lawfully be considered until after it has been properly proposed by a motion under Bankruptcy Rule 9019 and properly noticed as required by Bankruptcy Rule 2002;*
- *Reserves all its objections to the settlement including, without limitation, that*
  - *The settlement is not in the best interest of creditors because, inter alia, it allows the Secured Creditors' claims in full without adequate consideration to the Debtors' estates;*
  - *The UCC has neither the wherewithal nor standing to prosecute the estate's prepetition claims against Altus; and*
  - *The settlement seeks unlawfully to compromise NSRC's interest in assets that are subject to the settlement (see below); and*
- *Reserves all its arguments with respect to the Kopexa factors, including, without limitation, that no evidence has yet been presented regarding the potential value of the estates' prepetition claims against Altus.*

**NSRC HEREBY GIVES FURTHER NOTICE that:**

- *It asserts the vested and superior ownership interest of equitable title to many of the assets in which the Debtors assert ownership;*
- *It asserts that its interest in those assets is prior and superior to the interests, if any, of the Secured Creditors;*
- *It asserts that its interests cannot be modified by any reorganization plan;*

- *It asserts that Altus, or any other purchaser of the Secured Creditors' claims, will take those claims subject in all respects to NSRC's prior and superior interests;*
- *It reserves all its rights as against any such purchaser; and*
- *It does not consent to any exploration or development of mineral resources (including, without limitation, copper and magnetite) on or from assets or real estate in which it asserts an interest.*

NSRC's assertions in this regard have been made and are further explained: (i) in the United States District Court for the District of Utah, case no. 2:09-cv-00542-DAK, *Nevada Star Resource Corp. v. Western Utah Copper Company*, Hon. Dale A. Kimball, presiding (the "District Court Action"), (ii) in the United States Bankruptcy Court for the District of Utah (the "Utah Bankruptcy Court"), in the above-captioned bankruptcy cases, and (iii) in the Utah Bankruptcy Court, in adversary proceeding no. 10-02854-WTT, *Nevada Star Resource Corp. v. Western Utah Copper Company*, Hon. William T. Thurman, presiding (the "Adversary Proceeding"). Among other things, a motion for a preliminary injunction was pending in the District Court Action at the time the Debtors filed their bankruptcy cases (*see* docket # 51 in the District Court Action"), and the Adversary Proceeding is not presently scheduled for trial until in or after December, 2011 (*see* docket # 10 in the Adversary Proceeding).

Any proposed purchaser of the Secured Creditors' claims should be provided a copy of this document and advised that they or their counsel may contact the undersigned if further information is either necessary or desired.

Dated: February 21, 2011  
Salt Lake City, Utah

**PARSONS BEHLE & LATIMER**

By: /s/ *J. Thomas Beckett*  
J. Thomas Beckett  
Attorneys for Nevada Star Resource Corp.

**CERTIFICATE OF SERVICE BY ECF / EMAIL**

I hereby certify that on this 21<sup>st</sup> day of February, 2011, I caused true and correct copies of the foregoing **NSRC'S RESERVATION OF RIGHTS AND FURTHER NOTICE OF PRIOR AND SUPERIOR INTEREST IN ASSETS RELEVANT TO THE DEBTOR'S PROPOSED SETTLEMENT WITH THE SECURED LENDERS AND COMMITTEES AND SETTLEMENT BUYOUT TERM SHEET WITH ALTUS** to be filed via this Court's ECF system, and thus served electronically on those parties having registered to receive such service, and also sent via email to:

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